

THE
Crow's Nest Rates
AND THE
Western Farmer



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The Crow's Nest Rates and the Western Farmer

IS the Crow's Nest Pass freight rate agreement an issue in the present election campaign?

The farmers of the three prairie provinces are the judges best qualified to answer that question. The fact that the Crow's Nest Pass agreement, insofar as freight rates on flour and grain are concerned, maintains these rates from 50 to 60 per cent lower than would be the case if the agreement were not enforced by act of parliament, is well known to them.

The agreement now rests upon the foundation of an act of parliament enacted in 1925. This statute can be repealed or amended at the will of a majority of parliament. The western farmer should recall two points in regard to the agreement:

1. The Liberal party, in co-operation with the Progressives, placed the act of 1925 on the statute books and has maintained it there, and

2. The Conservative party opposed the enactment of the statute of 1925, campaigned in succeeding general elections for a majority with which to repeal that act, upon the grounds that the existence of the Crow's Nest Pass agreement was "iniquitous," an "utter injury against other sections of Canada," and an "indefensible wrong."

What the Farmer is Saved

The Crows Nest Pass agreement saves the farmers of the west \$28,000,000.00 per annum in freight rate charges, and in a matter of such transcendent importance it is essential to set out the facts with scrupulous fairness to all political parties. It is not contended for a moment that the Conservative party is animated by a dislike of the western farmer. But it is contended and the documentary proof will be set out, that the Liberal party believes as a matter of principle that the Crow's Nest Pass agreement on flour and grain should be retained and enforced, while the Conservative party believes that in principle this agreement is a special privilege granted to the prairie farmer; as such is indefensible and therefore must be abrogated in toto. In other words there is a direct conflict between the two parties in regard to the Crow's Nest Pass agreement. The electors will decide by their ballots which is right and which is wrong.

Read the Record

Now for the record.

What is the Crow's Nest Pass agreement?

In 1897 the Canadian Pacific railway desired to build a line into the Crow's Nest Pass. The company came to the Federal government for a grant of money and the Laurier administration agreed to give the money, about \$3,000,000, on condition that the Canadian Pacific would enter into an agreement with the government in regard to freight rates. The company agreed and the agreement was drawn up and signed.

The Crow's Nest Pass agreement fixed maxima rates on grain and flour moving eastward from the prairie provinces over the C.P.R., railway as it existed in 1897. Also maxima rates were provided on a dozen or more commodities proceeding from eastern Canada to the prairies.

Why was this agreement sought by the Laurier government?

Because it was recognized that the prairie provinces were entitled to protection in freight rates. It was recognized that of all Canada the prairies alone were not protected. In every other part of the Dominion the presence of navigable waters sets a definite limit to the height to which railway rates may be raised. But on the prairies there are no navigable rivers: the prairies are a railway monopoly territory. Residents must pay the railway rates or do without transportation facilities.

Equality for the Prairies

The Laurier government, by creating the Crow's Nest Pass agreement endeavored to give to the west by statutory agreement the control of freight rates exercised elsewhere in the country by natural conditions. This statutory control, however, applied to only a handful of commodities and in the really vital sense only to the export movement of grain and flour. The principle that western provinces were entitled to this statutory protection was never challenged until 1919 when the Conservative party adopted the policy of the repeal of the Crow's Nest Pass agreement. From this policy the Conservative party never deviated from 1919 until today.

The Crow's Nest rates were effective from 1897 until early in the present century when, because of other freight rate agreements entered into between provincial governments and railway companies, the level of rates fell below the Crow maxima. The agreement, therefore, was not again effective until 1917.

With the beginning of the war, railway operation costs began to increase. The railways asked the Railway Commission for higher rates and got them. The various provincial agreements whereby rates had been reduced below the Crow level were brushed aside. In 1917, the rates on grain and flour had reached the Crow maxima: that agreement barred the way to further increases.

Rates Were Increased

The Federal government met the demands of the railways for greater revenues by invoking the War Measures Act, to set aside, temporarily, the Crow's Nest Agreement. Thus in 1918 freight rates were boosted 25 per cent by order-in-council.

This make-shift could not long be sustained. The war ended: the Federal government quickly ceased to represent a combination of parties and became a Conservative administration. Hon. T. A. Crerar resigned early in 1919. A few months after, the Crow's Nest Agreement came up for further decision.

Crows Nest Rates Suspended

The War Measures Act must soon lapse. The Federal government decided to hold a special session of parliament in the autumn of 1919 to revise the Railway Act. At that session, the government introduced a revised bill and that bill abrogated, permanently, the Crow's Nest Pass Agreement. All freight rates were to be placed within the jurisdiction of the Railway Commission. The government carried the bill through the Commons, but Western Liberal Senators organized to oppose it in the Upper Chamber. The late Hon. Robert Watson was the leader in this movement. In the Senate the section of the bill which abrogated the Agreement was struck out and a new section substituted whereby the Agreement was to be suspended for three years and thereafter the suspension could be extended by order-in-council for an additional year.

Conservative Opposition

Note, however, that in 1919 the Conservative party laid down the principle that the Crow's Nest Pass Agreement should no longer exist: that rates on grain and flour should be under the jurisdiction of the Railway Commission: that no statutory maxima should remain.

Immediately the bill became law (in 1919) and the Railway Commission was clothed with power to over-ride the Agreement, what happened? That is to ask —What happened when the Conservative policy, temporarily, was put into operation?

The Consequence

The Railway companies applied to the Railway commission for a 40 per cent increase in freight rates and after a two day hearing the Commission granted a 35 per cent flat increase.

Thus from 1918, when the Agreement was set aside by order-in-council, to 1919 when it was suspended by statute, freight rates were boosted 60 per cent. That is what happened when the statutory maxima was removed.

The prairie provinces appealed to the Conservative government against this 35 per cent increase; **their appeal was dismissed on the ground that the railways needed the money.** This was the only avenue of escape from these increased rates and, once closed, the west had to wait for the three years of suspension to elapse.

Enter—the Liberals

But in 1921 there was a general election. A Liberal government came into power. The suspension of the agreement, unless extended by order-in-council, would cease on July 5, 1922.

There is no doubt as to what the Conservative party would have done, had the party been in power. What did the Liberal government do?

The question was referred to a committee of the House of Commons for investigation. The Liberal and Progressive members of that committee, forming the majority, joined in a recommendation that the eastbound Crow rates on grain and flour be brought into operation and the less valuable west-bound rates be further suspended.

Continued Tory Hostility

When this report came back to the Commons, the Conservatives opposed it strenuously. Moreover the Conservatives carried their opposition to the ultimate point of moving an amendment. That amendment will be found in Hansard of 1922, as follows:—"That while the Board of Railway Commissioners remains as it is now, a tribunal constituted by parliament to fix railway rates without discrimination and in accordance with changing conditions and to meet the needs of the country as a whole, it should be left free to perform such a duty without dictation from this House and subject only to review by the Governor-in-Council, as in the Railway Act provided." In plain language, the Crow's Nest Pass Agreement should be killed.

The Rates Restored

That amendment was defeated: the rates on grain and flour were once again brought under the Crow's Nest Agreement. The actual cash saving to prairie farmers, as a result of this administrative act of the Liberal government, was:—\$40.00 per car on grain moving from Manitoba eastward: \$72.00 per car from Saskatchewan: \$80.00 per car from Alberta. In an average year, it meant a saving in freight tolls on the crop of \$28,000,000.00. **That money was placed directly in the pockets of western grain producers.**

But while the Liberals and Progressives by parliamentary action in 1922 restored the Crow rates on grain and flour eastbound, the fate of the main agreement, which provided maxima rates both east and west, remained undecided. Then in 1923, the Liberal government decided not to extend the suspension and the entire Crow's Nest Agreement was revitalized and once more placed in full force and effect.

What happened?

Discrimination

It will be recalled that immediately after the government's decision the railways did something they had never done before—they enforced the Crow rates in the strict letter of the agreement. The railways contended the agreement covered only railway points in existence on the main line of the C.P.R., in 1897. Thus only a handful of shipping points in western Canada received benefit; all points not in existence in 1898 continued to pay rates greatly in excess of the Crow maxima.

Immediately the west launched an appeal to the Railway Commission asking that Crow rates be enforced over the whole prairie territory and that this discrimination be removed.

And right here the western farmers received a second object lesson as to what would happen if the Railway Commission was given jurisdiction over freight rates: if the Conservative policy was adopted and the Crow's Nest Pass Agreement was abrogated.

The Commission's Ruling

After hearing evidence the Railway Commission in formal judgment in 1924 declared that the Commission had power under the Railway Act to suspend the Crow's Nest Pass agreement; that agreement by the 1924 judgment was suspended and the old and higher freight rates were revived and enforced. The majority judgment of the Commission was written by Commissioner A. C. Boyce. It was made public in October and the vital paragraphs of it follow:—

"I would find as facts upon the evidence:—

"1. That the Canadian Pacific rates, as contracted for by the Crow's Nest Pass Agreement of 1897, while then fair and reasonable under then traffic conditions, are not adequate to present conditions of traffic, and do not furnish an adequate return for the service concerned, and are not fair and reasonable, representing as they do but thirty-five per cent to sixty per cent of rates found adequate under present traffic conditions.

"2. That the continuance of any contract rates compels unjust and unfair reductions by other railways not parties to the contract, in competitive territory, and causes unjustifiable loss to those companies, which they ought not to be called upon to bear.

"3. That the rates in force July 6, 1924, except the rates made effective by Act of 1922, were just and reasonable rates to all companies, were equitable in their effect and had been permitted by the Board after full and exhaustive examination."

The reference to the rates made effective by Act of 1922 means the statutory rates fixed by the Crow's Nest Pass Agreement on eastbound grain and flour.

The Fight Rages

The west continued the fight by appealing to the Supreme Court of Canada asking that the decision of the Railway Commission be set aside as a matter of law, and to the Privy Council (the Liberal government) asking that the Crow's Nest Pass Agreement be restored.

The Liberal government granted the appeal and restored the Crow's Nest Pass Agreement until such time as the Supreme Court had given its judgment. The Supreme Court ruled that the Commission had exceeded its power in abrogating the Agreement, but that the Agreement extended, as a matter of law, only to the railway points in existence on the C.P.R., in 1897. **The Agreement was saved but the discrimination was continued.**

Liberals Solve the Problem

This was the situation when the last session of the fourteenth parliament opened in 1925. The Liberal government met this situation by bringing down legislation. This legislation provided that the west-bound Crow rates, being relatively unimportant, should be abrogated, but that the all important east-bound rates on grain and flour should be enforced not only on the railway points in existence in 1897, but on, "all grain and flour moving from all points on all lines of railway west of Fort William to Fort William and Port Arthur over all lines now or hereafter constructed by any company subject to the jurisdiction of parliament."

Mr. Meighen's Attitude

The Conservative party once again attacked the government's policy. **Mr. Meighen**, the party leader, renewed his demands that the "iniquitous Crow's Nest rates" be repealed. He said of this bill, page 4403 (Hansard 1925), that it was, "a piece of floundering and irrational legislation."

Mr. Meighen declared the Crow's Nest Pass Agreement was a "special privilege," enjoyed by the prairie provinces. He was questioned in this regard by Hon. T. A. Crerar, page 4408, Hansard 1925:—

Mr. Crerar:—"Where does the special privilege exist under the Crow's Nest Pass Agreement?"

Mr. Meighen:—"Because parliament is fixing maximum rates. It is always a special privilege to have maximum rates fixed."

His Denunciations of the West

He denounced the western members who supported the legislation, on this score. He said, page 4407, Hansard 1925:—"How can members come to this parliament and proclaim in this debate that they are the sworn foes of special privilege in every case except where they are the beneficiaries."

Again, he said, page 4408:—"Hon. gentlemen (Liberals and Progressives) have been simply covering themselves with feathers on this matter (Crow's Nest Pass Agreement). They have no case to stand on at all. I do not believe if the people from western Canada let the whole Crow's Nest Pass Agreement go and allowed the Railway Commission a free hand, that, in the course of a very short time, there would be any higher rates than there are today."

More Hostility

Sir Henry Drayton, who was Minister of Finance in the Meighen government of 1920-21, and who was a former chairman of the Railway Commission, took an active part in opposing the measure. He said, page 4394 Hansard 1925:—"I do not think we are doing the right thing. Personally I think the whole matter should be sent to the Railway Board for consideration."

Hon. H. H. Stevens, Conservative member for Vancouver Centre, who, Mr. Bennett has announced, will be in any cabinet he may form if returned to power, expressed this opinion page 4319 Hansard 1925:—"The Crow's Nest Pass Agreement has outlived its usefulness. It is obsolete and should be abrogated The people of Canada at large are convinced that the Agreement should

be abrogated With the appointment of the Board of Railway Commissioners the usefulness of the Crows Nest Pass Agreement passed away Now I state emphatically that I stand for the Railway Board having supreme control over freight rates throughout the Dominion. Secondly I am wholly in favor of the complete abrogation of the Crow's Nest Pass Agreement or any similar agreement. The Crow's Nest Pass Agreement, as such, is obsolete; it has outlived its usefulness. A thing that is obsolete should be abrogated 'in toto' and not one section of it retained to pester and worry the people and interfere with the harmonious and equitable adjustment of these matters."

So much for the discussion in parliament.

It will be observed that the Conservative party pledged itself in parliament to the abrogation of the Agreement.

The Campaign

In the general election that followed the Conservative party made the Crow's Nest Pass Agreement one of the major issues in its assault upon the Liberal government. To quote from all the speeches delivered by Conservative candidates would fill a volume. Here are a few major pronouncements by Mr. Meighen.

Speaking at Vancouver, October 8, 1925, Mr. Meighen was reported by **The Vancouver Province** as follows:—

"In eastern Canada, in central Canada and in western Canada, I have denounced the fixing of rates by act of parliament whether under the guise of Crow's Nest Pass Agreement or any other excuse. Coming to British Columbia, I state what my stand is: It is this: The duty of the government is to declare principles and embody them in legislation. The duty of the Railway Commission is to apply those principles in actual effect and practice."

At Calgary, October 9, 1925, Mr. Meighen was reported by the **Calgary Herald** as follows:—"Parliament should lay down principles; the Railway Commission should apply them. The Railway commissioners had the knowledge to tell what the application would be in respect of this, that and a thousand schedules of railway rates. That being done, what justifies parliament in stepping out of its own jurisdiction and invading the jurisdiction of the commission? Parliament or rather the government sought to justify their course by declaring that they were bound by the terms of an Agreement known as the Crow's Nest Pass Agreement; that they could not trust the Railway Commission to fix rates fairly: that they had to give a special guarantee to western Canada because of the terms of the Agreement. But the government could never shield itself behind the Agreement because it had taken and torn up three quarters of the

Agreement and burned it. How could they then say they could put in the quarter of the Agreement? Is it in the interest of all Canada, for that is all that should guide us? Is it in the interest of Canada that parliament should fix the rate for any special party? If parliament does so, how can parliament refuse to do it for any other part of Canada?"

Where Does Mr. Bennett Stand?

That is the record of the Conservative party on the Crow's Nest Pass Agreement. Hon. R. B. Bennett, the present leader, was not in parliament when the discussions from which the preceding quotations have been drawn took place. He has never, however, disassociated himself from the position of the party and **the only possible conclusion which the electors of western Canada can form is that he is a supporter of the railway freight rate policy of the party.**

In view of this, what assurance have western farmers that Crow's Nest Pass rates will continue to be a statutory maxima? What assurance have they that freight rates on grain and flour may not be boosted 35 to 60 per cent within a year?

The assurance is an act of parliament, enacted by a Liberal government in 1925 and opposed vigorously both in parliament and in the country by the Conservative party.

An act of parliament is not necessarily permanent or unchangeable. If Hon. R. B. Bennett obtains a majority in the parliament now to be elected, what is there to prevent his introducing and enacting legislation carrying out the policy of the Conservative party and killing the Crow's Nest Pass Agreement? What is there to prevent the repeal of the act of 1925?

Absolutely nothing.

The Future Menace

And there is this further and equally vital point.

If the Conservatives are elected, apply their policy and redeem their pledges to the electors, **the 1925 legislation will be repealed forthwith and the rates on flour and grain placed under the complete jurisdiction of the Railway Commission.** Already it has been demonstrated what would then happen.

But suppose the Conservatives did not carry out their pledges and left the 1925 legislation undisturbed.

What about the Hudson Bay route?

Unless Crow's Nest rates apply on the Hudson Bay railway, the new route, which will be in operation next year, can never be a factor in the export of Western Canada's wheat crop.

The act of 1925 may or may not extend the Agreement to the Hudson Bay railway. The question has never been referred to the Railway Commission or the courts for decision.

Perhaps the electors can size up the law for themselves. The statute of 1925 reads:—

"Crow's Nest Pass rates shall apply to all grain and flour moving from all points on all lines of railway west of Fort William to Fort William and Port Arthur over all lines now or hereafter constructed by any company subject to the jurisdiction of parliament."

Grain going to Churchill is not going to the Head of the Lakes.

Where Lies the Remedy?

If Crow's Nest rates do not automatically apply to the Hudson Bay railway, which political party is the best going to ask to remedy the condition?

Can the Conservative party, plainly antagonistic to the Crow's Nest Pass Agreement, extend its application to the Hudson Bay? **Nothing can be plainer than that they could not do so.**

These questions are of vital economic importance to every grain farmer in the prairie provinces. They were never so important as they are right now. **The farmers are invited to give these facts careful consideration and to give their decision on July twenty-eighth next.**

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472016